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SUBJECT: BANGLADESH'S FOREIGN SECRETARY RAISES TRADE AND DEVELOPMENT ISSUES

¶1. (SBU) During Ambassador Moriarty's introductory call on 4/24, Foreign Secretary Mohammad Touhid Hossain raised a number of trade and development issues including the Millennium Challenge Account and GSP. The Ambassador noted that Bangladesh was receiving a lot of attention among senior officials in Washington who recognize its importance and underscored the importance of the GOB's holding national elections by year's end. He stressed that Secretary Rice understood the country was going through a critical year of democratic transformation.

MCA

¶2. (SBU) Hossain began by expressing Bangladesh's interest in the Millennium Challenge Account (MCA), which requires developing countries to reach certain governance standards to qualify for aid. He said efforts to meet those standards would require cooperation from the U.S. Government and Embassy Dhaka. The Ambassador said he looked forward to working with the Government of Bangladesh (GOB), but emphasized that significant progress was needed in several areas if Bangladesh were to qualify for MCA, most importantly democracy, economic reform and anti-corruption. He acknowledged that the Caretaker Government (CTG) was making progress with respect to combating corruption and returning the country to democracy.

EXPORTS

¶3. (U) The Foreign Secretary said the continuation of trade benefits under the Generalized System of Preferences was "very important" to Bangladesh. He said the future health of the textile industry depended on continuation of the preferences. With about 2.5 million women working in the sector, any major disruption would have grave social and economic consequences for the country, he said. The Ambassador responded that a U.S. Trade Representative delegation had had good meetings during a visit to Bangladesh earlier in April and was pleased with progress made on labor conditions in the export processing zones. He said that concerns remained over conditions in ready-made garment factories outside the zones (which Hossain acknowledged existed in smaller companies) and that an advocacy group in Washington was criticizing labor conditions in shrimp farms in Thailand and Bangladesh. Hossain said he hoped that

Congress would pass the New Partnership for Development Act, which was designed to boost access to U.S. markets for garments.

¶4. (SBU) Hossain noted that Bangladesh wished to swap more of its PL480 food-aid debt for spending on local conservation projects. To stress the importance of conservation work in Bangladesh, he noted that the Sundarban mangrove forest in the country's southwestern corner protected large swaths of land from even more extensive damage from Cyclone Sidr in November 2007. He said conservation funding could be used to create additional forest protection for this cyclone-prone country.

AMBASSADOR REITERATES SUPPORT FOR RETURN TO DEMOCRACY

¶5. (U) Ambassador Moriarty referred to remarks he made earlier in the week to local media that he expected Bangladesh to return to democracy this year and that he believed the military supported and understood the need to do so. Hossain said that Bangladeshis' desire to put such democratic reform in place was even greater than that of Americans, and he further stressed the importance of fighting corruption, which he said traditionally had slowed economic growth by 1.5 to 2 percentage points a year. In general, he said, while the U.S. and Bangladesh may have some slight differences over priorities, their basic principles were quite close. He pledged to work closely with the Ambassador to advance those principles.

Moriarty